



Converting a Private Foundation to a Donor-Advised Fund

- Review corporate documents to determine which approvals will be necessary (board of directors, but possibly also membership or third parties). Prepare necessary documents for corporate actions.
- Consider purchase of tail coverage to officers and directors liability insurance.
- Review corporate documents to determine whether they contain any requirements or restrictions, for example, restrictions on final distributions, rules for termination, etc.
- Review state laws that may affect the termination of the PF.
- Establish a plan to satisfy all liabilities prior to termination, such as payroll obligations, pending claims or litigation, vendor payables, leases that extend beyond the termination date, and the like.
- Review all assets and develop a plan to dispose of assets. All tangible personal property should generally be disposed of before termination date.
- Review grant awards to ensure there are no outstanding pledges. Those pledges cannot be fulfilled from a DAF.
- Develop a communication plan for PF grantees.
- Must distribute 100% of funds before filing final 990PF. The PF should consider what services will be required after the final year, such as fees to file the final 990PF and legal fees, and pay a retainer before the final distribution.
- Determine whether the PF will be subject to a termination tax. As long as funds are distributed to a Section 509(a)(1) organization that has been in existence for five years, there should not be a termination tax.
- Review investments to determine whether they can be liquidated or whether the DAF will accept in-kind transfers. Review limited partnership agreements and agreements concerning other non-traditional investments for restrictions and limitations on transfers.
- If liquidating assets, determine whether the liquidation will result in an investment tax.
- Engage legal counsel.
- File Articles of Dissolution stating the dissolution date (which may be prospective).

Please Note: This is for reference only and does not constitute legal or tax advice.